

# Effort Certification Procedure

## I. Scope

This procedure applies to all Sponsored Projects and is relevant to all University of Maryland (University) College Deans; Department Chairs; Principal Investigators; employees with Effort charged to Sponsored Projects; Department Business Managers; Office of Research Administration (ORA) and, Sponsored Program Accounting and Compliance (SPAC) staff.

## II. Background

The Office of Management and Budget's Uniform OMB Guidance for Federal Financial Assistance, formerly the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, at 2 CFR §200.430 (Uniform Guidance), as well as specific sponsor and award terms and conditions, include requirements for ensuring and certifying that Effort expended on a project is at least commensurate with the salary charged against the Sponsored Project budget. Though there are not specific requirements insofar as the methodology or frequency for certifying such Effort, the Uniform Guidance does require that Institutions of Higher Education (IHE) ensure an internal control environment that provides reasonable assurance that salary and other costs charged to sponsored agreements are done so reliably, and that such costs meet the standards for allowability, allocability, and consistency. Further, documentation in the system(s) of record must be available to support charges expended against an award(s) and submitted to the sponsor for payment.

## III. Purpose

The purpose of this procedure is to provide guidance to employees that are responsible for reviewing, verifying, and certifying Effort that is allocated to Sponsored Projects. The University's practice is to utilize an after-the-fact system to confirm that Effort charged to Sponsored Projects is allocable, allowable, reasonable, consistently treated and commensurate with the work performed. The Effort Certification process is accomplished via Effort Reports that are certified in the Workday system.

## IV. Definitions

**Award Line** – Represents a specific activity under the award in Workday. The attributes of an Award Line drive costing, revenue recognition, and billing behavior. An award in Workday may have multiple Award Lines.

**Committed Reports** – The amount or percentage of time an employee has communicated to the sponsor that they will commit to a Sponsored Project over a specified period. Commitments are documented in the project proposal and are included by the sponsor in the award documentation. Sponsor approval may be required when an employee changes their Committed Effort on a Sponsored Project.

**Cost Share** – The portion of project costs not paid by federal funds or contributions. This includes matching, which refers to the required levels of Cost Share that must be provided. Cost Share can be a mandatory or voluntary commitment of institutional resources contained in the proposal/application and resulting Sponsored Project.

**Effort** – Effort is the time spent on any activity by an individual, expressed as a percentage of the individual's total compensation. It includes the time spent working on a Sponsored Project for which salary is directly charged. Total Effort refers to all professional activity (instruction, research, administration, service, etc.) for which an individual is compensated by the University. The total Effort is always 100%, regardless of whether the employee is part-time or full-time. For example, if a Research Associate is appointed at 50% (part-time), their Effort is considered 100% of their 50% part-time appointment.

**Effort Reporting** – Effort Reporting is the process by which the University determines and documents the Effort expended on Sponsored Projects during each reporting cycle. The Effort Report is broken down by the proportion of Effort allocated to Sponsored Projects and other non-sponsored activity.

**Effort Certification** – Effort Certification is the affirmation by the individual and/or Principal Investigator (PI) using Suitable Means of Verification that the percentages of Effort on an Effort Report are accurate.

**Institutional Base Salary (IBS)** – The annual compensation for an employee's appointments. The IBS is the salary used for an employee in funding submissions for Sponsored Projects. The payroll components included in IBS are organized research, instruction, and department or division administration. The payroll components excluded from IBS are external consulting payments and incidental pay (i.e. conferences, events, and one-time payments).

#### Institutional Base Salary (IBS) INCLUDES:

- Organized Research
- Instruction/Teaching
- Department/Division Administration
- Overload Compensation

#### Institutional Base Salary (IBS) EXCLUDES:

- Incidental Pay (i.e., conferences, events, and one-time payments)
- External Consulting Payments

**Payroll Accounting Adjustments (PAA)** – The method to make corrections to previously posted payroll charges in Workday. that have been posted in relation to completed payrolls corresponding to prior pay periods.

**Proxy** – An individual with Suitable Means of Verification of the Effort performed on a Sponsored Project that can certify an Effort Report if the PI or **Certifier**<sup>1</sup> is not available to certify.

**Salary Cap** – The maximum rate of salary for full-time Effort that can be charged to a Sponsored Project. The Salary Cap is not based on the number of dollars that can be charged to a Sponsored Project. Rather, the cap is calculated on the rate of pay that can be charged to a Sponsored Project.

**Sponsored Project** – An externally funded activity that is separately budgeted, accounted for, and governed by specific terms and conditions of the sponsoring organization. A Sponsored Project may be in the form of grant, contract, or cooperative agreement for research, instruction, public service activities or capacity funds. Most Sponsored Projects are managed by ORA, while Agriculture Natural Resources (AGNR) manages capacity funds.

**Suitable Means of Verification** – Documented review of records that support the Effort performed on a Sponsored Project. This can include payroll allocation records or Effort distributions signed by the employee or Principal Investigator, email correspondence, sponsor budgets, and other documentation that substantiates Effort performed.

## V. Roles & Responsibilities

### Effort Certification Reviewer

- ➔ Departmental administrator that reviews and verifies employee Effort distributions
- ➔ Individual with working knowledge of the University procedures and federal guidelines related to Effort Certification, Effort commitments, and Payroll Accounting Adjustments
- ➔ Conducts the *Pro Forma / Pre-Review* process to proactively reconcile employee Effort prior to the start of Effort Certification
- ➔ Ensures that Effort Reports are reviewed and properly escalated for timely certification in accordance with the Effort Certification deadline established by the University

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<sup>1</sup> Roles are listed in Red

- Facilitates the processing of Payroll Accounting Adjustments that result from the Effort Certification process
- Assists certifiers through the Effort Certification Process in Workday

### **Effort Certification Analyst**

- Individual with working knowledge of the University procedures and federal guidelines related to Effort Certification, Effort commitments, and Payroll Accounting Adjustments
- Responds to questions related to Effort Certification from Principal Investigators, researchers, and other department personnel

### **Certifier (Employee-As-Self or Principal Investigator)**

- Reviews Effort Reports to ensure that the percentages accurately represent the actual Effort incurred based on salary charged to the award and the commitments made to the sponsor
- Ensures that any Effort changes needed to an Effort Report are communicated to the **Effort Certification Reviewer** and sends the Effort Report back for correction, if needed
- Certifies Effort Reports based on their direct knowledge of the Effort performed

### **Effort Certification Manager (SPAC)**

- Initiates Effort Reports in Workday for all departments
- Monitors overall progress of certification for each reporting cycle
- Performs reviews to ensure data integrity
- Provides support for all roles involved in the Effort Certification process
- Escalates outstanding Effort Reports, as appropriate

### **Costing Specialist**

- Individual that processes Payroll Accounting Adjustments during the *Pro Forma / Pre-Review* process
- Individual that processes Payroll Accounting Adjustments after the Effort Report has been certified with changes by the **Certifier**
- It is recommended that the **Costing Specialist** and the **Effort Certification Reviewer** roles are filled by the same individual

## **VI. Requirements**

1. There will be two reporting cycles in each fiscal year:
  - i. **Effort Cycle 01** – July 1 through December 31
  - ii. **Effort Cycle 02** – January 1 through June 30
2. Effort Reports are distributed in Workday and reflect the distribution of Effort allocated by employees during a reporting cycle. Actual salary dollars are presented as percentage figures (of total salary) on the Effort Report. Initially, payroll expenses may be charged to a Sponsored Project based on estimates of Effort that will be expended prior to services being performed. These estimates can be based on the Committed Effort that was communicated to the sponsoring agency but must be promptly adjusted if significant differences in Effort are indicated by activity records.
3. The University defines its acceptable preciseness tolerance at +/-4 %. This means that the **Certifier** of an Effort Report may certify a level of Effort for an award or activity that is within four percentage points of their best estimate of the actual Effort expended during the reporting cycle.
4. Effort Reports reasonably reflect the activities for which employees are compensated by the University based on their Institutional Base Salary (IBS).
5. Effort Reports are used to document the certification of Effort, to ensure that salary charges to the sponsor are reasonable in relation to the Effort performed on Sponsored Project(s), and the Effort charged to each Sponsored Project is congruent with the award and any sponsor approved changes. As part of the University's system of internal control, consistent with the requirements of the Uniform Guidance, Effort Reports will be certified by the Employee-As-Self or Principal Investigator.

*Note: Principal Investigators will certify Effort Reports on behalf of undergraduate student workers.*

6. In the instances where the University has agreed to Committed Effort on a Sponsored Project as Cost Share, that portion of the Effort will be paid by the Award Line established for Cost Share in Workday.
7. Effort Reports substantiate the Effort expended in fulfilling the employee's obligation to the University. Effort expended on total activities will not exceed 100%.
8. Effort is divided into two categories:
  - Sponsored Projects (Federal or Other); and
  - Non-Sponsored Activities. Non-Sponsored Activities are anything else funded by the University, and include activities like instruction, departmental research, and administration (i.e. USource, Gifts, and E&G designated funds).
9. Sponsored Projects may include a mandatory Salary Cap. ORA and SPAC will implement procedures during the budget development and award management processes to ensure that the University complies with Salary Caps that are required on Sponsored Projects.

## VII. Procedure

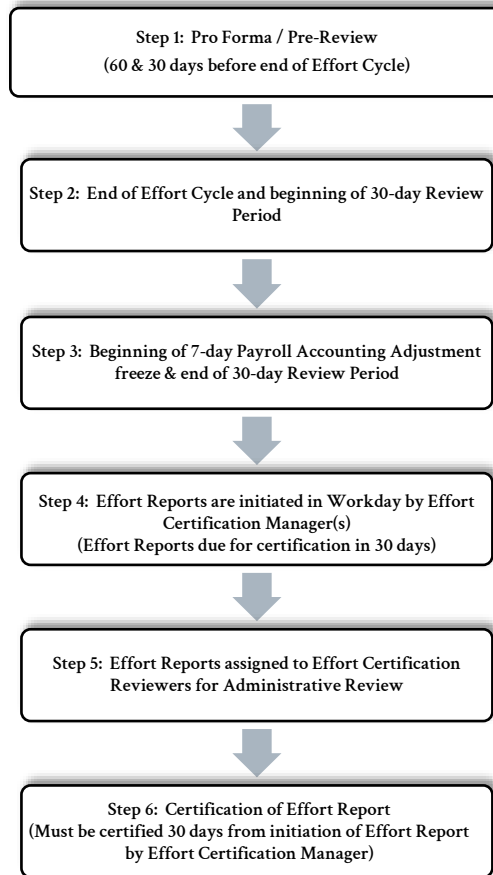
The steps below detail the Effort Certification process as supported by transactional documentation:

1. **Pro-Forma / Pre-Review** – An email notification will be sent to all **Effort Certification Reviewers** and **Effort Certification Analysts** assigned in Workday to perform the *Pro-Forma Effort Certification* task at the 60- and 30-day intervals prior to the end of the effort cycle. The *Pro-Forma Effort Certification* task generates the projected Effort Reports for an employee based on payroll actuals & obligations. The **Effort Certification Reviewers** should utilize this task to reduce the number of changes required after the Effort Reports have been initiated.
2. **End of Effort Cycle** – The end of the reporting cycle will denote the beginning of the 30-day review period. This review period will give the **Effort Certification Reviewers** additional time to make any necessary adjustments after the end of the effort cycle.
3. **7-Day Payroll Accounting Adjustment Freeze** – After the end of the 30-day review period, **Costing Specialists** will not be permitted to process any Payroll Accounting Adjustments on Sponsored Projects for 7-days.
4. **Initiation of Effort Reports** – The Effort Certification Manager(s) will initiate the *Effort Certification* task in Workday to generate Effort Reports for all employees with payroll activity charged to Sponsored Projects during the reporting cycle. The Effort Reports will be distributed to the **Effort Certification Reviewers** for review. The Effort Reports must be certified 30-days from the assignment of the Effort Reports in the *Workday Effort Certification Work Area*.
5. **Administrative Review** – The **Effort Certification Reviewer** will review Effort Reports for accuracy. If changes need to be made to an Effort Report, the **Effort Certification Reviewer** should reference the relevant job aid and FAQs for guidance. Once the *Administrative Review* step is complete, the **Effort Certification Reviewer** will click submit to route the Effort Report to the Employee-As-Self and Principal Investigator for certification.
6. **Certification of Effort Reports** – The **Certifier** (Employee-as-Self or Principal Investigator) will certify the Effort Report. The Effort Report will include Effort changes, if any, processed by the **Effort Certification Reviewer** during the *Administrative Review* step. If the Effort Report is accurate, the **Certifier** will certify the Effort Report to complete the process.

*Note: Principal Investigators will certify Effort Reports on behalf of undergraduate student workers.*

If the Effort Report is not accurate, the **Certifier** must contact the **Effort Certification Reviewer** for corrections. The Effort Report may need to be rerun depending on the changes. If the Effort was changed in the *Administrative Review* step, the **Costing Specialist** will receive a notification in 'My Tasks' to create the Payroll Accounting

Adjustment(s) to align the payroll transactions in Workday with the certified Effort Reports.



### VIII. Monitoring Uncertified Effort Reports

The University is committed to ensuring that Effort Reports with salary expenses charged to Sponsored Projects are accurate, timely, reasonably reflect the level of Effort expended, and comply with all sponsoring agency requirements. It is important that **Effort Certification Reviewers** follow up with their Principal Investigators and other certifiers to ensure that all Effort Reports are certified as timely as possible. Failure to comply with federally mandated requirements can result in financial penalties, expenditure disallowance, negative audit findings and opinions, and harm to the University's reputation.

If Effort is not certified by the Effort Certification due date, the escalation process will begin:

- a. If an Effort Report is 30 days past due, the Chair/Dean and College Budget Office (CBO) of the department will be notified by SPAC about the delinquent Effort Report(s).
- b. If an Effort Report is 45 days past due, the Associate Vice President for Administration, Division of Research will be notified by SPAC about the delinquent Effort Report(s) and will escalate as deemed appropriate.
- c. If an Effort Report is 60 days past due, all payroll and fringe benefit expenses charged to the Sponsored Project(s) for the affected employee will be transferred by SPAC to the department's non-sponsored funds. The expenses cannot be moved onto any Sponsored Project(s) once the transfer is complete.

## IX. Recertification of Effort Reports

1. If a Payroll Accounting Adjustment is processed for an employee after an Effort Report has been certified, the original Effort Report will become obsolete. On a bi-weekly basis, the **Effort Certification Manager(s)** in SPAC will identify the obsolete Effort Reports that need to be recertified and assign them to the **Effort Certification Reviewer** to complete the *Administrative Review* step.
2. Once the *Administrative Review* has been completed by the **Effort Certification Reviewer**, the Effort Report will be assigned to the **Certifier** (Employee-As-Self and Principal Investigator) for *Recertification*.  
*Note: Principal Investigators will certify Effort Reports on behalf of undergraduate student workers.*
3. The **Certifier** will have 30 days from the start of the *Recertification* process to re-certify an Effort Report.

## X. Proxy Certification of Effort Reports

The Employee-As-Self or Principal Investigator should certify their Effort Reports prior to separating from the University. In instances when an Effort Report has not been certified prior to departure of the employee or Principal Investigator, the University has designated certain individuals with the authority to serve as a Proxy certifier for Effort Reports. The University's order of preference is that Effort Reports are certified by a person with firsthand knowledge or Suitable Means of Verification of the Effort performed.

Officially designated individuals are:

- ➔ Co-Principal Investigator or other individuals (e.g., lab manager or employee supervisor) with firsthand knowledge or Suitable Means of Verification of the Effort performed
- ➔ Other designated certifier using Suitable Means of Verification to certify the Effort performed

## References

Uniform OMB Guidance for Federal Financial Assistance - [2 CFR Subpart § 200.430 Compensation - Personal Services](#):